

3 Quarter.

Callaghan Innovation
Quarterly Report to the Minister of Research, Science
and Innovation

For the third quarter ending 31 March 2021

Meeting demand for innovation support

In this quarter

COVID-19 support projects are wound up and ongoing support is embedded into the business

The R&D Tax Incentive gets a lift

Managing high demand for innovation support while trying to transform at pace to better meet customer needs

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Overview of the Quarter

This quarter we have continued to make good progress on implementing our priority projects, as set out in the Minister's letter of expectations for 2020/21 and our transformation programme, while also continuing to provide business as usual support for our customers. We're also very proud of the results from Colmar Brunton's annual Public Sector Reputation Index which saw us jump from 5th to 2nd place overall, 2nd for Trust and Leadership, 3rd for Fairness and 4th in the Social Responsibility categories.

R&D Tax Incentive

This quarter we focused on the policy work and operational changes to improve the RDTI, following on from the 'declines' review done in quarter 2. This included revising the R&D eligibility criteria to broaden the range of R&D that could be approved under the scheme. We also ran a calling campaign and worked with MBIE to develop a transition support payment mechanism aimed at encouraging and supporting Growth Grant recipients to transition to the RDTI.

Supporting businesses to recover from COVID-19

Callaghan Innovation has been playing a key part in the Government's economic response to COVID-19. Our COVID-19 response project closed this quarter with the project work streams either being completed or embedded into our business as usual. Some achievements from this project include:

- the allocation of \$26.1m of COVID-19 Innovation Acceleration Fund to 55 projects,
- 182 providers onboarded (including 13% uptake from Māori businesses) to the Booster Voucher Scheme,
- completed the assessment and approval phase of the R&D Loan Scheme, with the full \$149 million being allocated to businesses. The scheme was closed and transitioned to Callaghan Innovation's Funding and Contract Management team on 31 March 2021 as planned.

Implementing the Research Development Solutions Strategy

We completed the commercial model workstream of the RDS strategy in the September 2020 quarter and merged the remaining work streams into the customer experience project. The customer experience project is coming to a close after extensive customer collaboration, key stakeholder consultation and analysis. The outputs from the customer experience project will be:

- a prototype model that will be accompanied by a business case to determine the cost and timeframes for implementation, and
- an RDS technical roadmap that seeks approval from the Board to implement the roadmap in six core opportunity areas such as artificial intelligence and circular economy.

Gracefield Innovation Quarter

We are on-track to achieve the set milestones for the GIQ programme this year, despite experiencing delays in demolition of existing facilities and delay in the completion of a detailed business case for the hazardous goods facility. We have been engaging with stakeholders from across the innovation ecosystem, academia, Iwi, local government and our Hutt community as we prepare an investment case for the GIQ Strategic Services programme.

Transformation Programmes

We remain on-track with our transformation programme and have started to realise the benefits from our investment, particularly in the Digital Transformation programme and Tātai Whetū where the new tools and insights have enabled us to engage more efficiently and effectively with our customers and internally across Callaghan Innovation.

Continuing to support businesses to invest in R&D activities

Demand for innovation services remains strong, with customer numbers tracking ahead of our target for this year. Despite the strong demand, COVID-19 has had an impact on the number and type of events that we have been able to run, i.e. due to border closures and regional lock-downs. We have shifted to online delivery where possible.

We are on track to achieve 25 out of 27 of our appropriation performance measures and 26 out of 30 of our Statement of Performance Expectations (SPE) specific measures by 30 June 2021. Three of our SPE specific measures are tracking behind expectations for the quarter but are on-track to achieve their programme milestones by year end.

We are at risk of not achieving five measures - two due to COVID-19, one due to an unplanned outage, two due to changes in the HomeSafe programme and one due to slower progress on the GIQ strategic services programme investment case. The survey results from start-ups were not available in time to be included in this report.

	This quarter			Outlook for year end		Comment
	Achieved	Not achieved	Not Avail.	Achieved	Not achieved	
Appropriation measures	25	2	-	25	2	Target attendance and net promoter scores not achieved for international missions due to border closures and regional lock-downs.
SPE specific measures	23	7	1	26	3	Two of the HomeSafe programme measures are unlikely to be achieved this year because of changes to the Programme's

						<p>project priorities and how it will be delivered.</p> <p>The GIQ strategic services business case is expected to be completed in the first half of the 2021/22 year instead of by 30 June 2021.</p>
Total	48	9	1	51	5	

Risks

We are continuing to actively monitor and manage risks related to demand and funding for project grants and the uptake of RDTI by R&D businesses.

This quarter the risk of not being able to draw down COVID-19 relief funding has crystallised with MBIE confirming that only \$1.1m of the expected \$5.3m is available this year. The balance will be transferred to outyears and reprioritised to cover R&D loan operating costs. This decision will have a significant impact on retained earnings for the current year and our ability to fund transformation investment from 2021/22 onwards.

Introduction

This report summarises the progress Callaghan Innovation made in the March quarter against:

- The priorities the Minister for Research, Science and Innovation set out in her letter of expectations for 2020/21
- Our Strategic Plan for 2020/21
- Our Statement of Service Expectations (SPE) for 2020/21.

How this report is organised

Our update for the quarter is organised into these eight sections:

1. **Continuing to encourage investment in R&D** covers the R&D grants and our work to improve the operating model for the *R&D Tax Incentive*.
2. **Supporting businesses to recover from COVID-19** covers our initiatives and actions in response to COVID-19 such as the *short-term repayable R&D loan scheme*.
3. **Building critical foundations** details our progress towards becoming an exemplar innovation agency, including work to *redevelop the Gracefield Innovation Quarter, implementation of the Research Development Solutions strategy and our transformation programme*.
4. **Strengthening the innovation ecosystem** covers key initiatives from our strategy that are aimed at growing the capability of high value and/or high growth sectors.
5. **Empowering innovators** covers the support and services that we provide clients to help them to develop and commercialise their research.
6. **Organisational performance** summarises Callaghan Innovation's operational performance.
7. **Enterprise risks** identifies the key risks we are managing.
8. **Appendices** has more information about key projects such as the Gracefield Innovation Quarter Programme and detailed financial statements.

Figure 1: Callaghan Innovation FY 2020/21 Strategic Plan

Our strategy on a page. FY2020-21



Continuing to encourage investment in R&D

Callaghan Innovation administers a number of incentive programmes aimed at encouraging businesses and entrepreneurs to invest in R&D. Lowering barriers and reducing some of the risks associated with R&D is important for enabling New Zealand to develop high-value, globally relevant companies.

This section provides an update on the work to improve the R&D Tax Incentive operating model and the R&D grants schemes administered by Callaghan Innovation.

Improving the Operating Model for the R&D Tax Incentive

The R&D Tax Incentive (RDTI) is the Government's flagship R&D programme. It is designed to encourage a wide range of businesses to undertake more R&D, which will in turn grow New Zealand's knowledge economy.

Implementing the recommendations from the review of the RDTI was a key focus for Q3.

The focus this quarter has been on the policy work and operational changes to improve the RDTI, following on from the 'declines' review done in quarter 2. Specifically, we revised the R&D eligibility criteria to broaden the range of R&D that could be approved under the scheme.

We developed a matrix that set out the acceptable threshold for each of the eligibility criteria, then worked with MBIE, Inland Revenue and other stakeholders to refine the matrix and lower the threshold to bring it more in line with the RDTI policy intent. Once the matrix was agreed, we used this to update the RDTI guidance to reflect the revised criteria, publishing the new guidance on 1 April 2021. Alongside this, we began the task of 'recalibrating' the RDTI Core Team and making operational improvements that will allow the team to implement the updated guidance.

We established a new operating model for the RDTI, adopting a 'product' approach that is more similar to how we currently offer other products and services. This involved appointing a Product Owner and wrapping a wider Callaghan Innovation support team around the RDTI. The product team is leading the continuous improvement of the RDTI. It's main focus has been on improving customer experience, and we have developed a programme of work around this.

While we expect that the revision of the R&D eligibility criteria will go much of the way towards supporting businesses to access the RDTI, we still thought it important to ensure that Growth Grant customers have assurances around a continued level of R&D support. We worked with MBIE to design the transitional support payment mechanism for former Growth Grant recipients, which was approved by Cabinet on 12 April 2021.

In quarter 3 we completed the Growth Grant calling campaign and developed an engagement and communications plan to map out the next phase of customer engagement. With Growth Grants concluding on 31 March 2021, we have taken the revised guidance as an opportunity to more deeply engage customers, 'onboard' them to the RDTI and seek their feedback on the guidance. The recalibration of the R&D

eligibility criteria is not a 'set and forget' exercise. We have begun seeking customer feedback to ensure that the updated guidance better reflects business needs, and will support their transition to the RDT. This work will continue into quarter 4, with the feedback being used to inform further iterations and improvements to the criteria and the guidance.

Focus for Q4:

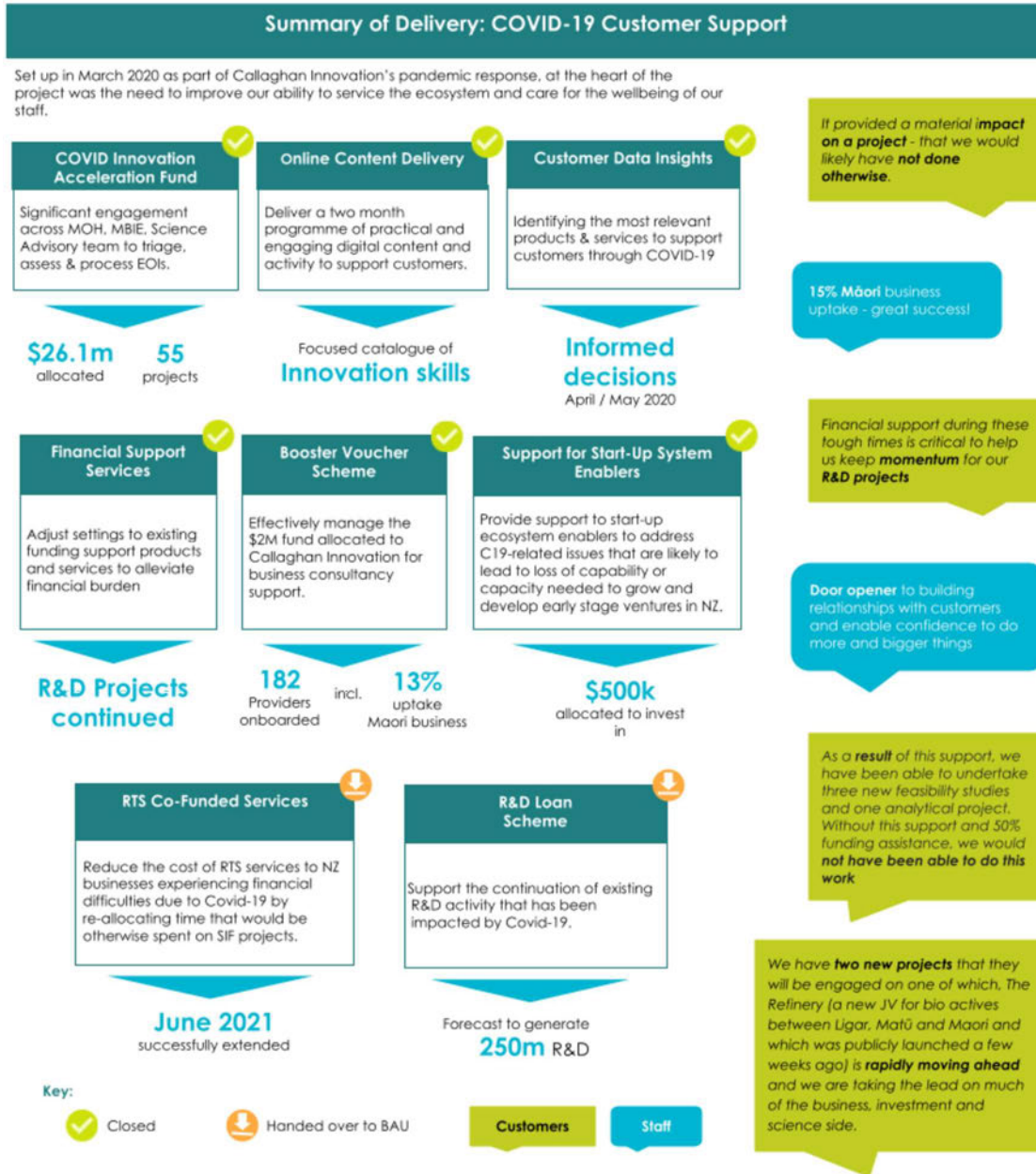
- Undertake engagement with a set of 60 strategically selected customers to 'onboard' them to the RDTI and seek their feedback on the revised R&D eligibility criteria and updated guidance. We will use the findings from this engagement to identify further improvements to the RDTI and then roll out this engagement process to further sets of customers.
- Develop sector specific guidance for customers, starting with the software sector.
- Communicate changes around the R&D eligibility criteria and the transitional support mechanism to customers.
- Implement the transitional support payment mechanism for former Growth Grant customers.
- Continue to engage with sector stakeholders (tax advisors, NZTech etc), including identifying opportunities for the Minister to engage with and promote the RDTI.
- Continue to recalibrate and refine the operating model for the RDTI core team to adopt the new R&D eligibility criteria, clear the backlog of RDTI assessments and improve customer experience.
- Implement a new 'risk based assessment tool' for the RDTI Core Team, that will help the team to more efficiently work through the influx of 2019/20 RDTI claims.

Supporting businesses to recover from COVID-19

Callaghan Innovation has been playing a key part in the Government's economic response to COVID-19. Our response was structured as a project, led by our Chief Operating Officer - Internal Partnering as project sponsor, and governed by a steering group led by our Chief Executive.

The response project closed this quarter with the project work streams either being completed or embedded into our business as usual.

This diagram summarises our achievements.



The Short-term R&D Loan scheme

The Government identified less or slower expenditure on R&D as a particular risk facing New Zealand's economic recovery from the COVID-19 pandemic, because businesses with reduced incomes are more likely to divert funding tagged for R&D to address urgent or short-term needs.

In response to this risk, Callaghan Innovation was tasked with implementing a short-term R&D loan scheme to assist businesses that had committed funding to R&D but were now impacted by COVID-19. The loan scheme aimed to enable these businesses to maintain their R&D activity in 2020/21, by supplementing or replacing privately sourced funds that

were temporarily reduced or unavailable because of the pandemic.

This quarter we allocated the full funding under the R&D Loan scheme and then closed the scheme

In Quarter 3 we completed the assessment and approval phase of the R&D Loan Scheme. The full \$149 million has now been allocated to businesses and the scheme closed on 31 March 2021 as planned.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Callaghan Innovation - Operations appropriation					
Percentage of existing Callaghan Innovation customers provided with a decision within four weeks of their application being received	N/A	80%	85%	84%	On-track

Highlights for the quarter include:

- At 31 March 2021 **453 loan applications** totalling **\$148.3 million** had been approved and **\$147.5 million** of this funding had been paid to businesses. This was a significant milestone for Callaghan Innovation in delivering much needed support to customers during a challenging economic time.
- The plan for transitioning the loan scheme to core operations was approved and initiated to coincide with formally closing the scheme on 31 March 2021. The project team has been wound up and day-to-day operation of the scheme now sits with Callaghan Innovation’s Funding and Contract Management Team.
- We have publicised the closing of the scheme internally and externally, and have informed the loan recipients about their repayment and reporting obligations for the upcoming year.

Focus for Q4:

- At the end of Q3 there were two loans remaining to be approved and paid. This was reliant on Cabinet approval to reuse \$800k of loan funding that had been approved but subsequently repaid without being spent on R&D. Cabinet provided approval in early April, so approving and paying these final loans will occur in Q4.
- The Assurance Framework will be initiated with the first audit activities occurring.
- The Ministerial Direction allows for a six month time extension for businesses to use loan funds if spending has been delayed due to circumstances outside the businesses’ control. We have designed a simple extension approval process, and expect to receive extension requests over the coming quarter.
- We will be preparing for first year reporting (due July 2021) and to receive loan repayments from those that wish to take advantage of the 12 month interest free period.

R&D Grant Schemes

Grant funding is a key lever that we administer to encourage businesses to invest in R&D or expand their R&D programmes. Overall we are on-track to meet or exceed the performance standards set for our Project Grants, Student Grants, and Growth Grants.

Growth Grants have closed and demand for Project and Student Grants remains high.

As a result of the closing of the Growth Grants scheme, the Minister approved a fiscally neutral transfer of \$25 million from the Research and Development Growth Grants appropriation to the Targeted Business Research and Development Funding appropriation, as part of the March 2021 baseline update. The transfer should provide us with sufficient headroom to manage demand through to December 2021.

Demand for Project and Student Grants has continued to be strong, which points to exciting opportunities for New Zealand's economic recovery and future growth. However, we will need to manage this demand carefully to ensure we remain within appropriation limits.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Business Research and Development appropriation					
Percentage of businesses receiving a Growth Grant that maintain or increase eligible R&D expenditure over the grant period	89%	70%	87%	85%	On-track
Targeted business research and development appropriation					
Number of active Project Grants this financial year*	576	570	463	595	On-track
Net Promoter Score from Project Grants recipients	+74	+70	+78	+76	On-track
Percentage of Project Grant recipients who perceived that the grant-funded project:					
<ul style="list-style-type: none"> • Had an overall positive impact on their business • Increased knowledge acquisition • Improved business productivity 	93%	95%	95%	98%	On-track
	91%	85%	92%	94%	On-track
	89%	85%	86%	85%	On-track
Net Promoter Score from Experience Grants recipients	+93	+70	+91	+90	On-track
Callaghan Innovation - Operations appropriation					
Number of new Project and Student grant applications received during the financial year	968	700	1,286	1,383	On-track

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Percentage of Project and Student grant applications who have received a decision within 30 working days of receipt of the completed application	89%	90%	95%	92%	On-track

**This measures the number of businesses with an active project grant, the description for this measure will be updated in the 2021/22 Statement of Service Expectations to make this clear.*

Building critical foundations

Callaghan Innovation has embarked on a transformation journey to become an exemplar innovation agency. This work programme modernises the way we operate and increases the capability of our technology, systems, processes, and buildings and facilities so that we can more effectively support our customers and the broader innovation ecosystem.

This section provides an update on the progress on the draft 20 year strategic direction, and key transformation initiatives such as the implementation of the Research Development Solutions strategy (previously named the Research Technical Services Strategy) and the redevelopment of the Gracefield Innovation Quarter (GIQ).

Strategy update

This quarter the Minister approved our request for an extension for preparing our next Statement of Intent. This will enable us to complete and reflect our strategic refresh work in the Statement of Intent (which is now due in 2021/22). We have published the extension on our website, and will include this public notice in our annual report as required by the Crown Entities Act 2004.

In March 2021, we took our draft final long-term Strategic Direction to the Board, where it was endorsed. The Strategic Direction looks ahead 20 years, and aims to help New Zealand make the most of a once-in-a-lifetime reset and significantly increase the impact of the innovation ecosystem on New Zealanders' wellbeing.

We will now use the 20 year Strategic Direction to inform our organisational plans and budget for the 2021/22 financial year, as well as our next Statement of Intent.

The 20-year Strategic Direction also includes our key focus areas for the next two years (FY22–23). Delivering on these key focus areas will start to move Callaghan Innovation to the higher-impact role required under the 20-year Strategic Direction. Our 21/22 Statement of Performance Expectations will explain how we will deliver on our focus areas.

Focus for Q4:

Our main focus in Q4 is to begin to support the rest of our organisation to deliver on these priorities.

In Q4, we are designing new planning cycles to support the implementation of the 20- year Strategic Direction - with a rolling two-year strategy supported by quarterly planning cycles. These will be trialled for the first time in the first quarter of 2021/22 .

We will also be getting final approval of the strategy, organisational plans and budget, and finalising our 2021/22 Statement of Performance Expectations.

Implementing the Research Development Solutions (RDS) Strategy (formerly the Research and Technical Services Strategy)

Our RDS group helps businesses to innovate and commercialise by providing support for design, product development, prototyping and R&D. The RDS strategy consisted of:

- A review of our pricing model and piloting improvements.
- Investigating ways to better support industry R&D to prototype, pilot and scale innovative technological ideas.
- Developing a pilot in the biotech hub space as a lighthouse concept of how the future of RDS and the GIQ site could work as an integrated community.

We have completed our commercial model workstream and merged the remaining workstreams from our RDS strategy into the customer experience project.

As at 31 March 2021, we are tracking ahead of our performance standards and are on-track to meet our year end targets. In terms of the RDS strategy, we completed the commercial model workstream in the September 2020 quarter and merged the remaining work streams into the customer experience project. The customer experience project is part of the Tātai Whetū programme.

The Customer Experience project has focused on two very important transformational workstreams:

- The design of the Customer engagement framework which dictates the systems, processes and cultural evolution the organisation needs to create in order to develop a far improved customer experience.
- The RDS technical capability roadmap, this stream uses a 'Desirability, Viability, Feasibility and Ethicality' decision framework to determine what areas of technical capability and capacity our scientific and technical services should explore in order to ensure that Callaghan Innovation remains fit for purpose and able to stand alongside Frontier ventures when developing new to world and new to New Zealand innovation.

Both work streams are coming to a close after extensive customer collaboration, key stakeholder consultation and analysis. The output of the Customer Engagement Framework is a prototype model that will be accompanied by a business case to determine the cost and timeframes for implementation.

The output of the RDS technical roadmap is a paper being submitted to the Board, seeking a mandate to implement the roadmap in six core opportunity areas such as Artificial Intelligence and Circular Economy.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Callaghan Innovation - Operations appropriation					
Number of customers with a Research and Technical Service project this financial year	256	216-264	282	282	On-track
Net Promoter Score from Research and Technical Services	+47	+40	+60	+60	On-track
Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
2020/21 SPE - RTS Strategy					
Deliver and implement a new commercial operating model that supports high-impact 'frontier firms' and established R&D players, while sustaining revenues	N/A	Achieved	Achieved	Achieved	On-track

Delivering the Gracefield Innovation Quarter programme

The Gracefield Innovation Quarter (GIQ) Programme is about creating a place where talent wants to live. The first step for achieving this is to ensure that it is a healthy, safe and fit-for-purpose work environment. GIQ's current work addresses years of deferred maintenance that has resulted in some of our top scientists working in leaking buildings with poor ventilation and heating systems; there is extensive asbestos, poor storage of hazardous chemicals, and many buildings and laboratories are no longer fit for purpose.

The first stage of the more than \$110 million investment approved for GIQ in May 2019 is being directed at a four-year work programme. The focus remains on bringing the site 'back up to zero', then lifting it beyond this to attract and support a community of innovators who can contribute to reshaping our economy, society and the environment.

The Tactical Workstream continues to address the current state of facilities so we meet existing duty of care, and health and safety requirements.

This quarter we made steady progress.

We are on-track to achieve the set milestones for the GIQ programme this year, despite experiencing delays in the following areas:

- **Demolition of four structures onsite:** Demolition project commenced with B Block bunkers completed. Delays in the commencement of MSL's relocation process may

result in a delay in the demolition of the McKay Building. Hector & A Block about to commence.

- **Construction of a hazardous goods facility commenced:** Work has commenced on the design stage that will feed into the development of the Detailed Business Case, that is expected to be completed in November 2021.
- **GIQ Strategic Services Programme Business Case:** Early work has begun to look at future possibilities for Gracefield. This work includes a sitewide high level Masterplan, early stage development of a Biotech Hub concept.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
2020/21 SPE - GIQ Programme					
Demolition of four structures onsite	N/A	Achieved	Delayed	Off track	On-track
Construction of a hazardous goods facility commenced	N/A	Achieved	Delayed	Off track	On track
Construction of flexible office accommodation commenced	N/A	Achieved	Delayed	On track	On track
GIQ Strategic Services Programme Business Case complete	N/A	Achieved	On track	Off track	Off track
Sitewide Masterplan complete	N/A	Achieved	On track	On track	On-track
Biotech Hub Indicative Business Case complete	N/A	Achieved	On track	On track	On-track

While the physical changes to the GIQ site are now becoming visible, we are also strengthening our partnerships as we actively seek potential collaborators and build relationships. This quarter we have engaged with stakeholders from across the innovation ecosystem, academia, Iwi, local government and our Hutt community.

The goal is to develop an inclusive vision of the site as an innovation exemplar, including restoring the environment, honouring Hitori o te papaanga Māori, and welcoming in the public to 'see the science'. More information about the GIQ programme's progress this quarter is located in the Appendix.

Focus for Q4:

- Continue with demolition and asbestos removal, including demolition of the fire-damaged internal section of A Block. Demolition planning will continue for E Block, Hector Building, McKay Building this year.
- Continue design work for flexible laboratories, including site preparation activities.
- Continue construction of the new laboratory for Measurement Standards Laboratory's Time and Radio Frequency teams.
- Complete the fit out of 'Office 2' and continue construction of 'Office 4', the new laboratories and meeting spaces in Auckland.
- Developing and delivering an Asset Management Policy, Strategy and Plans.

- Collaborating with the Biotechnology Hub Working Group and its stakeholders on an investment proposal to determine the impact of a national Biotech hub for New Zealand and assessing the possibility of such a hub at GIQ.

Digital Transformation Programme

Includes Hiwa-i-te-rangi - improving the grants application experience

As with the GIQ Programme that first addresses deferred maintenance, then creates an environment that enables innovators to work and thrive, the Digital Programme is similarly a critical enabler. The current programme focuses on transitioning old IT infrastructure into modern cloud-based services that enable digital experiences that strengthen collaboration, accessibility and innovation. This will reduce the need for future large scale upgrades and positions us to keep pace with the fastest growth in science and technology we have ever seen. This work creates a path toward a future of increased automation, machine learning, business process intelligence and artificial intelligence.

The **Hiwa-i-te-rangi** project will revolutionise the way New Zealand businesses access funding by transforming the current, heavily manual application system into an intuitive, more automated process that benefits both Callaghan Innovation customers and internal stakeholders.

Our digital transformation has gained momentum and we are starting to realise the benefits from this investment.

We are tracking well against programme milestones for the year. The Programme has benefited from the recruitment of a Change Specialist who has invigorated our thinking and undertaken some great work towards business wide engagement. The Programme continues to connect its milestones and benefits with Callaghan Innovation's draft 20-Year Strategic Direction, the Business Model and Operating Model outputs.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
2020/21 SPE - Digital Transformation Programme					
Data Integration Platform: Implement new data integration platform and critical Integrations to support new Grants and Website platforms.	N/A	Achieved	Achieved	Achieved	On-track
Network Optimisation: Upgrades to the Digital Network, including system updates, enhanced security, removal of single points of failure, and removal of unnecessary complexity and costs.	N/A	Achieved	Achieved	On-track	On-track

Hiwa-i-te-rangi: Deliver a new RDTI and Grants platform, starting with the RDTI delivery in May 2021. Grants Development and subsequent re-planning will also begin in May 2021.	N/A	Achieved	Achieved	On-track	On-track
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Other highlights from the quarter include:

- Updating meeting rooms with Google Workspace (G-Suite) hardware:** The new audio and visual technology has made it easier for everyone to use these communications tools, our business needs are now better met and this enables future technology upgrades. This project is on track for completion and review by May.
- Data Integration Platform:** A successful discovery and design phase ran from January to March to pilot the platform, which included key Integration of the NZ Business Number. This is a significant step, yet just the start: this platform paves the way for greater integration with other government and business entities who we work alongside in the innovation ecosystem. We are gaining high-performance tools for collecting, filtering, processing and moving different types of data across our various data sources.

Implementation is now underway, with the team building the foundation to support both Iho Matihiko - Callaghan Innovation's new internet, and Hiwa-i-te-rangi - the funding optimisation platform.

- EDI (SharePoint) replacement:** We are replacing the platform for our intranet and core corporate information as it is no longer fit for purpose and complies poorly with the Public Records Management Act. This represents a significant improvement but also a big change for all staff, so there is a strong focus on communications to ensure everyone understands the benefits to them and the business.
- Iho Matihiko (Website consolidation):** Overall this work is on track to deliver the new platform by July 2021.
- Network Optimisation:** While work is largely completed, there are outstanding steps for delivery. COVID-19 restrictions from 15 February further delayed this work.
- Hiwa-i-te-rangi:** The project team was repurposed in October 2020 to deliver a workflow management solution for the RDTI Team to support the expected increase in RDTI applications from March 21. Go Live is scheduled for late May 2021. Analysis and Design work has continued on Grants throughout this time. Development starts in May with delivery date to be confirmed.
- Cloud Adoption Strategy:** A Cloud Adoption Framework workshop was held in late January with key Digital stakeholders and initial findings presented to the Digital Leadership Team. The intention is to apply recommendations from the review into future Operating Model considerations for Digital. We want to ensure future cloud

services introduced into Callaghan Innovation are operationalised in line with the recommended framework, with all pre-existing cloud services retrofitted to ensure alignment to the cloud operations practice currently being designed.

- **Security Tools Upgrade Project:** This quarter we obtained licensing for Microsoft Defender Advanced Threat Protection client, selected a 'best in breed' vulnerability scanner and engaged with the Network Optimisation Project to ensure there is alignment.

Focus for Q4:

- **Google Workspace (G-Suite) Meeting Rooms Hardware project:** close and perform review.
- **Data Integration Platform:** Proceed with building the foundational environment to support both Iho Matihiko, and Hiwa-i-te-rangi .
- **EDI (SharePoint) replacement:** Proceed with technical migration workshops with vendor and project.
- **Iho Matihiko (Website consolidation):** Begin delivery from April.
- **Network Optimisation:** Plan and schedule Stage 2 Science Network workstream.
- **Hiwa-i-te-rangi:** Go-Live scheduled for the RDTI Team for May 21. All Project resources will then be repurposed to focus on Grants Delivery.
- **Cloud Adoption Strategy:** Continue working on an easy transition to business as usual as we deliver new products and services. The Programme will continue to finalise a schedule of work to reflect the changes in scope.
- **Security Tools Upgrade Project:** Work towards a project close and perform a review.

Tātai Whetū Programme

The purpose of this programme is to focus on how we do things at Callaghan Innovation and deliver on our aspirations for how we want to work together to drive innovation across the ecosystem. It includes projects aimed at developing a new operating model, embedding design thinking and customer experience consistently in our services, embedding the values and characteristics of an exemplary Treaty partner, improving the way we manage change, and creating a unified approach to risk management.

We are on-track to achieve our programme milestones for the year, despite delays.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
2020/21 SPE - Tātai Whetū Programme					
Embed new Operating Model and associated processes	N/A	Achieved	On track	On-Track	On-track
Deliver Shared Vision, Values, and Identity	N/A	Achieved	On track	On Track	On-track

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Embed new Risk Culture in Callaghan Innovation	N/A	Achieved	Off track	Off-Track	On-track
2020/21 SPE - Māori Economy					
Defining our role as Treaty partner	N/A	Achieved	Off track	On Track	On-track

Highlights from the quarter include:

- **Shared Vision, Values, and Identity:** The Tātai Whetū programme is responsible for a project to create a behaviors set for Callaghan Innovation. To land on these behaviors the project team led a 3 week engagement process across the business on a long list of draft behaviors in order to inform a final set of behaviors. This final draft set is being submitted to the Tatai Whetu programme for approval.
- **The Exemplary Treaty Partner business case** was approved and internal and external stakeholder and iwi engagement processes have commenced.
- **Risk Culture:** Acceptable future risk tolerance settings (amount of risk) were approved by the Tātai Whetū Programme Board and ELT this quarter.
- **Customer Engagement Framework** was approved by the Tātai Whetū Programme Board.
- **RDS work stream** - Identification of areas of opportunity to include in a 2-5 year RDS technical capability roadmap is nearing completion.
- **Operating model:** Detailed design of the blueprint elements are progressing alongside procurement to support new ways of working.

Focus for Q4:

- Development of a Behaviours implementation plan for endorsement by the Tātai Whetū Board, and project close out.
- Confirm an external Provider who has the right capability and capacity to work with Callaghan Innovation to deliver the key Treaty Partner pieces of work.
- Delivery of a Risk Learning Support Tool.
- Delivery of a business case for the implementation of the Customer Experience frameworks, systems and processes.
- Finalised detailed design of the blueprint elements and planning for implementation of the Operating Model designs, as well as design and implementation of new ways of working (including agile).

HomeSafe Programme

The focus of the programme is to improve health and safety risk management throughout Callaghan Innovation and those we work with. Managing critical risks, building leadership at all levels and embedding a framework for emergency management are key areas of work.

The programme will also help to ensure Callaghan Innovation's compliance with health and safety obligations and responsibilities.

Our delivery pace has been impacted by a change in the programme's projects and priorities.

The programme's projects and priorities, and how the programme is delivered, were revised and agreed by the Programme Board in February 2021. This revised approach has changed the performance expectations for the programme. New performance expectations will be in place for the 2021/22 financial year. Initial work has also been undertaken to revise the programme's outcomes.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
2020/21 SPE - Health and Safety					
Full implementation of PCBU framework	N/A	Achieved	On-track	Delayed	At-risk
HSE Critical Risk Framework Operationalised	N/A	Achieved	Delayed	Delayed	At-risk
Wellbeing strategy operationalised - engagement score for Wellness above 6.9 and Happiness above 7.4	N/A	Achieved	On-track	On-track	On-track

Highlights from the quarter include:

- **HomeSafe Programme business case:** This quarter we completed the strategic business case. The programme was revised to focus on six areas: critical risk management (with an initial focus on hazardous substances and plant and machinery); culture and leadership; emergency management; work related health; data and intelligence; and carbon neutral.
- **PCBU Framework:** The full implementation of Persons Conducting Business or undertaking (PCBU) Framework has been delayed as it will be considered as part of the HomeSafe programme. A completion date will be re-established as part of the development of the critical risks project plan.
- **HSE Critical Risk Framework:** Work on this framework has been delayed as it will be considered as part of the critical risk project in the HomeSafe programme.
- **Hazardous substances workstream update:** Key stakeholders for the project have been identified and engaged with.
- **Carbon neutral readiness:** In February the programme board approved going to market to undertake the initial part of the carbon neutral readiness project. We have chosen Toitū Environment and Deta consulting to:
 - undertake a report on our current emissions and
 - make recommendations about how we become carbon neutral.

- We have established initial data findings for 2019/20 and will that year as our baseline for carbon emissions.

Focus for Q4::

- Revise the programme's **outcomes and benefits**.
- **Recruitment of more team members** to build programme capability and capacity to include the areas of data and intelligence, work-related health, and the environment.
- **Improved management of hazardous substances** - Develop and implement a plan to improve the management of hazardous substances as our number one critical risk.
- Further work to improve our **Coordinated Incident Management System (CIMS)**.
- Receive an initial report on Callaghan Innovation's **carbon neutral status**.

Strengthening the innovation ecosystem

This section focuses on key initiatives identified in our strategy that are aimed at strengthening the innovation ecosystem. It includes initiatives that focus on enabling high value and/or high growth sectors to grow faster.

Tech Incubator Programme

The Technology Incubator Programme is an initiative to increase the number of start-ups based on deep technologies. In April 2020, Callaghan Innovation launched a refreshed and more ambitious version of the Programme, with four Technology Incubator Partners focusing on sectors of strategic importance to New Zealand.

Under the Technology Incubator Programme, and through official incubators, deep-tech start-ups can access up to \$1,000,000 in funding, which consists of \$750,000 in the form of a repayable grant from Callaghan Innovation and \$250,000 in private investment. Start-ups can also access commercialisation support, international networks and further rounds of investment from the Technology Incubators.

Callaghan Innovation's role is to review and approve Repayable Grant funding for start-ups that have been identified by the Technology Incubator Partners. The funding is approved by the Repayable Grant Approval Committee, which consists of both Callaghan Innovation Executive Leadership Team members and external members.

To date Callaghan Innovation has approved 9 Repayable Grants and 21 Pre-Incubation Grants (this includes those that went to full Repayable Grant).

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Repayable Grants appropriation*					
Number of customers that received a service from either an incubator or accelerator	204	170	191	198	On-track
Net Promoter Score from Startup customers	+71	+60	+69	+69	On-track
2020/21 SPE - Tech Incubator Programme					
First ventures for funding from the Tech Incubator Programme	N/A	Achieved	Achieved	Achieved	On-track
Percentage of surveyed start ups who agree that they have gained business or commercialisation skills as a result of working with the incubator/accelerator	N/A	60%	100%	Not available at the time this report was produced	On-track

**Note the measures in this appropriation relate to all incubator and accelerator programmes and are not limited to Tech Incubator clients*

Highlights from the quarter include:

- Total approval of \$6.7 million in Callaghan Innovation Repayable Grants, and \$16.48 million from Technology Incubators across nine deep-tech start-ups.
- The start-ups that received funding are from diverse deep tech sectors: 5 from the Artificial Intelligence sector, two from the pharmaceutical sector, one from the sensor technology for food and beverage development and one from the space technology sector.
- It is a legal requirement for any organisation providing funding that is an investment or a loan to adhere to the Anti-Money Laundering (AML) regulations. The Technology Incubator Programme, provides Repayable Grants that have interest associated with it, and if the company is successful needs to be paid back. We didn't think that this legislation was intended to capture Repayable Grant funding so we went through a process to seek special exemption from AML regulations. The exemption was approved during quarter 3.
- Continued to increase Programme awareness through events such as Future Leaders Conference by MacDiarmid Institute, Early Researchers IP workshop at the University of Auckland, presentations to Indonesian Delegation, and NZ Migrant Investors and Entrepreneurs group.
- In early April, \$6.125m of the 2020/21 appropriation was re-prioritised to cover operational costs for RDTI transitional support for growth grant customers. While this funding is not likely to be needed this year, it will restrict the ability to deliver on the programme in outyears depending on the success of the various incubators.

Focus for Q4:

- Hold the Annual Hui on 12th and 13th May to reflect on progress to date and develop a strategy for the future, as it is a 7+ year Programme.
- Establish Technology Incubator Governance Committee.
- Review and optimise Technology Incubator Programme end-to-end processes.
- Continue to award high quality Pre-Incubation and Repayable Grants.

The HealthTech Activator – clearing the path for Kiwi HealthTech

The HealthTech Activator (HTA) is a coordinated, ecosystem-wide support mechanism for early-stage founders and companies in NZ's healthtech sector. The Activator makes it easier for healthtech companies to find and access the support they need to turn their health innovations into successful businesses. In doing so, it aims to advance, de-risk and accelerate the commercialisation of NZ's healthtech ecosystem.

Delivery and development of the HTA has continued at pace this quarter with the initiative likely to deliver more than 75% of year one programmes and services despite COVID-19 disruptions.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
2020/21 SPE - HealthTech Activator					
Define programmes and services required to smooth the commercialisation journey of Healthtech companies	N/A	Development and delivery of 75% of programmes and services	Achieved	Achieved	On-Track

Highlights from the quarter include:

- 268 companies in HealthTech and adjacent categories have now subscribed to the HTA (as at March 15th)
- Seven capability building workshops were planned for the quarter but only four were delivered and three were postponed due to the COVID-19 lockdowns.
- 52 new companies have been triaged and assessed through the HTA since its establishment in Sept 2020
- 10 companies have active research projects in play via our engagement with Global Data
- Contract signed with Gerson Lehrman Group (GLG) for insight advice, which will provide NZ health tech companies with access to 900k thought leaders
- Continued refinement of early stage Market Validation and Capital Education workshops

- In-depth Market Validation content build in process. Minimum viable product is focused on 5 teams of companies beginning the programme from March 15th. Facilitated by CHQ, the programme pulls together our support toolbox including Global Data and GLG together with NZTE engagement via their health coalitions lead.
- Discovery work underway regarding Regulatory Preparedness and Reimbursement offerings for the next financial year.
- Collaborative work with MOH and MBIE underway regarding Clinical Trial pathway development (MOH leading)
- Update provided to Australia New Zealand Leadership Forum (ANZLF) Health Group and preliminary meetings scheduled with the Australian Federal Programme for Medtech and Pharmaceutical.

Focus for Q4

Improved connectivity across the HealthTech sector

- Develop relationships with Australian medtech ecosystem via MTP Connect relationship
- Progress ecosystem discussion together with MBIE regarding Clinical Trials portal
- Implement marketing and communications plan to continue to promote the HTA.

More seamless access to funding and experts

- Continue trials of global data database with customers – fine tuning access and customer satisfaction with provided service
- Trials of GLG database with health tech activator clients.

Capability-building programmes and services

- Roll out the next phase of workshops in early stage market validation and capital education and add enduring online content.
- Roll out late stage market validation offering to selected customers and refine
- Build plan for Phase 4 modules (Regulatory; Reimbursement)
- Develop deeper relationships with Aust Federal MTP Connect framework with a view to accessing additional content for greater regional harmonisation
- Continue to refine customer experience engagement and web delivery to maintain relevance

Driving sector specific cluster growth

Callaghan Innovation's strategy identifies a number of high value growth and high value sectors where there are significant opportunities to increase the benefit for New Zealand.

Strong collaboration continues between each of the respective programme partners and across the ecosystem.

Projects continue to ramp up as expected for both BPA & NZPA. New products and processes will increase throughout 2021 as projects are completed.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Industry 4.0 appropriation					
Number of customers who received a service during the financial year	N/A	Baseline to be established	N/A	482	On-track
Net Promoter Score from customers who receive a service during the financial year	N/A	Baseline to be established	N/A	52	On-track
2020/21 SPE - Industry 4.0					
Deliver a programme that includes at least 10 Industry 4.0 factory site visits per year and a dedicated mobile showcase to demonstrate Industry 4.0 technology	N/A	Achieved	On track	On-track	On-track
2020/21 SPE - Māori Economy					
Number of Iwi & Trusts served	N/A	5	14	16	On-track
2020/21 SPE - Bioresource Processing Alliance (BPA)					
Number of industry partners involved in research projects	N/A	Baseline to be established	27	36	On-track
Number of new products or processes developed for industry partners	N/A	Baseline to be established	81	109	On-track
2020/21 SPE - NZ Product Accelerator (NZPA)					
Number of industry partners involved in research projects	N/A	Baseline to be established	30	40	On-track
Number of new products or processes developed for industry partners	N/A	Baseline to be established	31	37	On-track
2020/21 SPE - NZ Food Innovation Network					
Continued operation of the New Zealand Food Innovation Network and support MBIE with the programme review	N/A	Achieved	On track	On-track	On-track

Industry 4.0 demonstration Network delivery is ramping well across two of the three workstreams, with some delays on the Smart Factory. Other highlights from the Industry 4.0 programme this quarter included:

- the launch of the Mobile Showcase with 15 workshops held for over 115 participants from

68 different organisations (NPS of 18.75)

- delivering 4 site assessments (NPS of 67), 3 webinars to 364 attendees (NPS of 41) and 2 physical factory site visits for 50 customers (NPS of 80)
- 7,749 views of our industry4.govt.nz web page by 3,977 unique users.

A letter from the BPA Board was received in March, which communicated the value created from the first BPA initiative. This letter is attached as an Appendix.

Focus for Q4:

- Ongoing development of products and processes in the BPA and NZPA initiatives.
- Redesign of the Industry 4.0 Smart Factories tours.
- Improving NPS with the ongoing delivery of the Industry 4.0 Mobile Showcase, webinars, and factory site visits.

Empowering innovators

Empowering innovators - this section covers the support and services that Callaghan Innovation provides clients and includes the National Measurement Laboratory and Scale-Up NZ initiative.

Scale-Up NZ continuing to grow profiles and connections

Scale-Up NZ is a free online platform that makes it faster and easier for ambitious businesses to find and connect with the people, capital and other support to innovate and grow, here and offshore. It also creates opportunities for investors, incubators, multinationals and other collaborators to connect with innovative New Zealand businesses, helping to support and develop our ecosystem.

We have continued to see a steady increase in the number of registered users, introduction requests and organisations profiled on Scale-Up NZ.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
2020/21 SPE - Scale-Up NZ					
Organisations profiled on Scale-Up NZ	N/A	2,000	2,243	2,330	On-track
Introduction requests	N/A	450	395	421	On-track

Highlights from the quarter include:

- We have launched a new landing page for Scale-Up NZ that visualises the data even more clearly and allows users to interact with the data in multiple ways.
- A new Google Analytics dashboard has been introduced which will enable us to track activity across the site and enable us to make data backed decisions on iterations going

forward.

Focus for Q4:

- Targeting marketing initiatives to drive traffic and higher user engagement to the landing page
- A customer discovery programme of work will be undertaken to understand user behaviour and identify areas for platform improvement.

Measurement Standards Laboratory

The Measurement Standards Laboratory (MSL) is New Zealand's national metrology institute. MSL is responsible for maintaining the national measurement system essential for international and domestic trade and the efficient function of electricity markets, safe aviation, high-value manufacturing and law enforcement. The 175 internationally recognised measurement standards it provides enable New Zealand exports to be accepted in more than 100 markets.

MSL has continued to track well during the March quarter (see Appendix for detailed reporting) and remains on track to deliver against its two key performance measures.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
National Measurement Standards appropriation					
Provision of national measurements and standards and related services in accordance with statutory obligations under section 4 of the Measurement Standards Act 1992, reported annually to the Minister and accepted.	Achieved	Achieved	On-track	On-track	On-track
All technical procedures related to the maintenance of national measurement standards (in accordance with the resolutions and recommendations of the Metre Convention) independently reviewed and validated, with all external review actions completed by the end of the financial year.	Achieved	Achieved	On-track	On-track	On-track

Highlights from the quarter include:

- **Technical procedures** - There were 107 technical procedures in validation on 1 April 2021, 3 of which were validated or revalidated during the three months from 1 January 2021 to 31 March 2021. IANZ carried out two technical reassessments of MSL during this three-month period, supported by technical experts from national metrology institutes overseas. The Mass section was assessed on 26-28 January 2021 and the Time and Frequency section was assessed on 29-30 March 2021. One non-compliance was raised during the Mass assessment and has since been addressed and cleared with IANZ. There were no non-compliances raised during the assessment of Time and Frequency and there are no outstanding non-compliances from previous audits.
- **Building projects** - Temperature standards have moved into the new MSL laboratory building and have commenced commercial calibration. Electrical standards remain unable to occupy the new building due to challenges in achieving the required environmental control, a proposed solution is being worked through to resolve the issue. Good progress is being made on the new Time and Radiofrequency laboratory project.
- **International acceptance of New Zealand's measurement system** - MSL staff continue to remain active in the international measurement standards community. They have been involved in a range of international projects and attended and presented at a variety of international technical meetings over the quarter. Five-yearly international reassessments of MSL's Mass and Time Standards have been successfully completed during this quarter.
- **Outreach and recognition** - One of MSL's Principle Research Scientists has been invited on to the International Bureau of Weights & Measures (BIPM) global expert committee on digital metrology. Planning has commenced for celebrations to recognise World Metrology Day on 20 May 2021. It is hoped to use this occasion as an official opening day for the new MSL laboratory building.

Focus for Q4:

- **Recruitment** - to address key person risk and future proofing New Zealand's metrology capabilities for emerging domestic needs and opportunities.
- **Building environment** - Achieving acceptable environmental control in the new MSL building for Electrical standards to commence its move out of the McKay building. Continue to monitor building progress of the new Time and Frequency laboratory whilst developing move plans to occupy this space.
- **Strategic/Annual Planning** - Commence development of a new five yearly strategic plan. This will include development of MSL's next annual operating plan and a review and update of the MSL five yearly strategic science project document.
- **Staff readiness** - Preparing our staff for the significant changes likely in the transformation of Callaghan Innovation. Being change ready and engaged means we are able to embrace opportunities as they arise and make meaningful contributions to the success of Callaghan Innovation in delivering its purpose for the benefit of New Zealand

Business development and research services

Callaghan Innovation is responsible for brokering and providing innovation services to businesses and delivering programmes that enhance New Zealand's innovation system.

We are tracking ahead of our performance standards for all of our measures except three.

Attendance and Net Promoter Scores (NPS)

The COVID-19 restrictions have led to cancellation of in-person events and international missions from March 2020 onwards, which has meant our event attendance numbers for Events, International Missions and Innovation Skills are tracking significantly below our target for the year. The cancellation of international missions has also meant that we are unable to report a net promoter score for this activity.

The reduction of service net promoter scores resulted from the roll-off of higher performing international missions scores (the last of which was over 12 months ago). This was coupled with the Qualtrics integration of Event NPS from Quarters 2 and 3. These events had lower scores, particularly Southern SaaS, Recognising AI, Cleantech and RDTI Q&A.

Accelerate e-newsletter

An unscheduled outage in January meant that the January edition of our Accelerate e-newsletter was only delivered to approximately 50% of the total newsletter database. This our Accelerate database customers received the newsletter in January. The outage was investigated, but given the timing lapse it was too late to resend the newsletter. This has lowered the average open rate for the newsletter this quarter to 1,943 (compared with our performance standard of 3,500).

The redesign of the newsletter has been a priority in Q3, focusing on refreshing the current design and format including launching new content features - Māori translations for all category headings, and featured events section to maximise our sponsorship and partnership activity. We are also more widely promoting the newsletter, giving it more visibility across our digital channels including promoting its content on social media, and have created digital assets (staff signature, subscription tile etc for internal and external use) to drive newsletter sign ups.

We have been working with the digital portfolio delivery team on cleansing customer contact data, which includes the removal of duplicate and inactive contacts to ensure our communications reach those customers who are actively engaged with Callaghan Innovation.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Callaghan Innovation - Operations appropriation					
Total number of organisations working with Callaghan Innovation on services this Financial Year	2,866	2,600	3,007	2,964	On-track

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Net Promoter Score of all surveyed customers	+74	+60	+80	+74	On-track
Total number of organisations working with Callaghan Innovation and NZTE as a F700 customer*	386	300	638	632	On-track
Number of customers who worked with Callaghan Innovation in the following services: Events; International Missions; Innovation Skills (formerly 'Programmes')	1,101	1000	762	581	At-risk
Net Promoter Scores for the following Callaghan Innovation Services:					
- Events	+48	+30	+51	+43	On-track
- International Missions	+69	+60	+82	N/A	N/A
- Programmes	+74	+60	+72	+72	On-track
2020/21 SPE					
Total unique opens of Callaghan Innovation's monthly Accelerate e-newsletter	N/A	3,500	2,227	1,949	At-risk

*We work with NZTE to target a specific segment of clients (Focus customers, formerly known as the F700). NZTE have advised that they are looking to increase the target for this segment from 700 to 1,000-1,400 customers for the current year. We will look to reflect the impact of this change to our target and will adjust as needed in the Supplementary Estimates for 2021/22.

Organisational Performance

This section provides a summary of Callaghan Innovation's operational performance, including how it is tracking against budget and internal measures of operational efficiency. Our efforts have been recognised in the recently released Colmar Brunton annual Public Sector Reputation Index which saw us jump from 5th to 2nd place overall, 2nd for Trust and Leadership, 3rd for Fairness and 4th in the Social Responsibility categories.

Performance dashboard

Callaghan Innovation's Executive Leadership Team (ELT) receives monthly performance dashboards. The performance dashboard is used by ELT to evaluate Callaghan Innovation's performance against its strategy for the year. Note the RDTI information is subject to a confidentiality agreement and has been redacted from the dashboard.

Some key insights from the dashboard include:

- We are tracking well across our portfolio with 89% of our project milestones achieved as

at 31 March 2021. We are on-track to achieve 83% of our project milestones by year end. A number of health and safety project milestones (that were off-track) are being considered for inclusion in the HomeSafe programme.

- Total Recordable Injury Frequency Rate (TRIFR) was 4.72 per million hours for March 2021, which is unchanged from the prior month's result and an improvement on last quarter. The rolling 12 month TRIFR score in March is below the ACC and Worksafe TRIFR threshold, i.e. Callaghan's actual injury rate is below the standard set by ACC and Worksafe.
- Staff engagement for March 2021 was 7.3, which is higher than the previous month and previous quarter's results.

The performance measures for Callaghan Innovation's capital expenditure appropriation were achieved this quarter and are on track to be achieved at year end.

Performance Measures	2019/20 Result	2020/21 Performance Standard	Q2 2020/21 Result	Q3 2020/21 Result	Outlook for Year end
Callaghan Innovation capital appropriation					
Any physical and virtual infrastructure investment is aligned with the overall strategy	Achieved	Achieved	On track	On-track	On-track
Any major capital project proposal is developed in accordance with published Treasury business case guidance	Achieved	Achieved	On track	On-track	On-track

March 2021 Performance Dashboard

CALLAGHAN INNOVATION: PERFORMANCE DASHBOARD – Mar 2021

Service and engagement

	Value	Vs. previous mth	Vs. previous year
Total customers	2,967	▼ -43	▲ 20
Customers with multiple services	986	▼ -49	▲ 105

NPS of all services

+74 Monthly trend

Customers using our services

Customers using our services in year

Customers using multiple services

R&D tax Incentive Enrolments (confidential)

XXX +XXX monthly trend

R&D tax Incentive General Approvals (confidential)

XXX +XX monthly trend

The RCTI metric is strictly confidential to EIT/Board. Not to be shared either internally or externally.

Financial health (as at Mar 2021)

Status	YTD Over / under budget (\$m)
Commercial revenue	-0.3
operating costs	+5.4
CAPEX spend Core+ etc	-7.3
Forecast Accuracy (OPEX)	-4%

Finance Full year forecast (\$m) as at Mar 2021

Category	Actuals	Forecast	YTD Actuals	Budget	Forecast Over/Under Budget
Commercial revenue	13.4	14.6	13.4	12.4	-2.2
operating costs	10.2	18.3	10.2	19.1	+0.8
CAPEX spend	5.7	14.5	5.7	20.5	-6.0

CAPEX full year forecast (\$m) as at Mar 2021

Category	Actuals	Forecast	YTD Actuals	Budget	Forecast Over/Under Budget
Commercial revenue	13.4	14.6	13.4	12.4	-2.2
operating costs	10.2	18.3	10.2	19.1	+0.8
CAPEX spend	5.7	14.5	5.7	20.5	-6.0

Portfolio health summary

Programme Status colours show YTD milestones completion vs 80% baseline

Status	Programme	Since last period	Percentage of Milestones met to date (Mar 21)	Percentage of Milestones on track/complete by end of FY20/21
●	GIQ*	↓	100%	75%
●	Digital	↓	100%	90%
●	Total Whetū	→	71%	88%
●	Health & Safety	↓	60%	63%
●	All Programmes		89%	83%

Organisational health

Employee engagement (Mar 2021)

+1 Monthly trend

Milestones	Value	Vs. previous mth
Details to be confirmed with H&S programme		
Total Recordable Injury Frequency Rate (RIFR)	4.72 (per mil hours)	▲ 0

Health & Safety Milestones

Milestones	Value	Vs. previous mth
Personal enablement	62.1	▼
Culture attributes	64.4	▲
Leadership through change	65.2	▲

Strategic priorities

Next updates will likely be in May – June 2021

Value	Vs. previous year
GIQ	+ 2
Others	0
Personal enablement	62.1
Culture attributes	64.4
Leadership through change	65.2

Financial Performance

Key Financial Indicators to 31 March 2021¹

	Actual \$m	Budget \$m	Variance \$m
Group surplus/(deficit) after non-operating items	(0.254)	(2.467)	2.213
Revenue	90.926	98.504	(7.758)
Expenses	91.857	101.469	9.612
Interest income and non-operating items	0.677	0.499	0.178
Cash and deposits	52.758	45.418	7.340

The year to date group deficit is lower than budgeted, with cost savings across several categories driving the result. Many of these savings are expected to unwind in the final quarter as we move further into delivery for our transformation programmes (or into FY2022 in the case of depreciation savings), however some are also permanent (for example, travel). Key drivers across both revenue and expenditure are set out below.

Revenue

- The National Science Challenge has continued to build its investment pipeline this year, however payments for specific projects remain behind the planned timing for the current year. This is driving lower than planned revenue, which is recognised as costs are incurred, although it is expected to catch up in future years of the programme (\$4m). Given the alignment between costs and revenue, there is no margin impact resulting from this revenue shortfall.
- MBIE has confirmed that only \$1.1m of the expected \$5.3m of COVID-19 relief funding this year will be available, with the balance transferred to out-years and reprioritised to cover R&D loan operating costs. This has created a year to date shortfall in this funding of \$2.6m (full year impact of \$4.2m) and will have significant impacts on retained earnings and our ability to fund transformation investment from FY2022 onwards.
- Demolition funding of \$1.4m was transferred to FY2022 (through the 2020 October baseline update), to align with the expected timing of the activity.
- Commercial revenue remains broadly in line with budget, however this reflects two distinct stories. While there has been stronger than expected revenue growth in NZ, as the COVID-19 recovery translates into demand for R&D support across our customer base, there have been challenges in international markets, where demand has slowed and challenges with international supply chains have impacted project delivery.

¹ The Callaghan Innovation Group includes the parent (Callaghan Innovation), two operating subsidiaries ((New Zealand Food Innovation (South Island) Limited and New Zealand Food Innovation Auckland Limited), as well as one equity accounted associate ((New Zealand Food Innovation (Waikato) Limited). These reported values also include the National Science Challenge hosted by Callaghan Innovation.

Expenses

- In line with the revenue trends described above, there are lower than planned contract delivery costs in the National Science Challenge (\$4m).
- While overall FTE levels are below budget and generating savings, these are being used to fund investment in our transformation programmes (primarily through the short term use of contractors and fixed term staff to address specific skill sets required in the short to medium term). The largest investments are in our HomeSafe and Tātai Whetū programmes. Both the planned and additional personnel investment in our programmes is also generating shortfalls against budgeted Other Costs, where some of the initial programme cost was budgeted.
- There have been continued savings on travel, as both international and domestic opportunities for travel have been limited and we continue to leverage our investment in G-Suite to remotely collaborate more effectively.
- Depreciation savings have been generated primarily through the GIQ programme, as the COVID-19 impacts on expected construction timelines has pushed several project completion dates into outyears and slowed capital spend rates.

Cash and deposits

- Slower than planned capital investment following COVID-19 impacts and the complexity of the demolition process on the GIQ site has meant capital spend is lower than planned. Several new projects have been approved so far this year, however, and spend is expected to ramp up towards the end of FY2021
- There has also been continued growth in revenue in advance, as the Bioresource Processing Alliance and National Science Challenge continue to build up a pipeline of investment opportunities that will only start to translate into increased spending in FY2022.

Enterprise Risks

This section provides an update on key risks that could significantly impact Callaghan's Innovation ability to deliver on the Government's innovation work programme.

Improvements in Enterprise Risk Management (ERM)

We continue to focus on building operational capacity and capability to ensure we build our maturity around making risk informed investment and business decisions. During quarter 3 we have developed our three year risk strategy, reviewed and readjusted our risk tolerance and escalation settings and shifted our focus towards developing a mechanism which will give deeper understanding of our operational and strategic risks.

We have reviewed and refreshed our approach to understanding our control environment. Our approach and techniques have been simplified to identify and understand our key controls. We are continuing to build our risk profile around our regulatory and strategic risks.

Long term financial risk remains a concern. We are managing this risk by reviewing our investments and reprioritising our strategic initiatives to minimise the impact on customers, this s 9(2)(b)(ii)

Our next quarter focus will be around developing and establishing our reporting mechanisms to gain greater collective oversight of our operational risks, including the development of informative dashboards focusing on action; and the continuation of building the capability within our organisation.

Update on risks identified in the Quarter 2 report

Last quarter we identified four key risks; updates on these risks are set out below.

Health and safety risk management

An initial review by the Health and Safety team has commenced into Ecoportal (the health and safety management system used by Callaghan Innovation) due to a number of open actions being unable to be closed due to having to wait for implementation of changes in Ecoportal. This review highlighted significant delays to progressing and closing health and safety risks and/or incidents. We are continuing to identify gaps, barriers and measure areas where progress has been made over the last 12 months.

Like other areas of the labour market, there continues to be a shortage of competent and experienced health and safety people in New Zealand causing resourcing constraints. This will have an impact on what we are able to achieve and the pace of delivery within the core team and HomeSafe programme.

We have identified potential risks associated with our site in Christchurch, where we are the tenant. These have implications for the safety of our workers and others in the building (e.g. unknown load bearing of floor in the workshop). We are continuing to assess treatment options to mitigate the risks within the building.

Six investigations relating to the critical risk of hazardous substances and psychosocial (bullying) have been conducted over the last quarter. The hazardous substances investigations focused on the storage (including condition of chemical vessels) and segregation of classes of chemicals. All investigations are highlighting the need for clarity and communication of roles and responsibilities, especially when there are overlapping responsibilities.

The HSE BAU team is dealing with the immediate risk and advising business groups on correct management of the risks. The recommendations from the investigations are being shared with the Home Safe Programme, as some of these will be incorporated into their programme

COVID-19 Funding draw down

This risk has crystallised into an issue this quarter, with MBIE confirming we will only have access to \$1.1m of the expected \$5.3m funding. The balance will be transferred to outyears to cover R&D Loan operating costs.

This loss of funding will have a direct impact on our deficit this year, and will have flow on impacts for our capacity to invest in our transformation programmes in FY2022 onwards.

Research and development tax incentives

We continue to work with MBIE and Inland Revenue to manage the risk of there not being a consistent understanding of what the updated Guidance means in terms of eligible activity, that the core assessment team has the right tools by which to assess, and that there is an appropriate engagement and communication strategy in place to ensure businesses understand the new guidance.

Project Grants

We are continuing to monitor demand trends and are completing some initial planning to ensure we can make relevant changes to appropriation settings within our control if needed. This will provide us with options in the event we begin forecasting an excessively long period without available funding at the end of the appropriation period (Jan - June 2022).

Appendix 1: Detailed Grants Forecast and Financials

\$000's	R&D Growth Grants	Targeted Business R&D Funding (Project & Student Grants)	Repayable Grants	Total*
Appropriation period	FY18 - FY22	FY18 - FY22	FY20/21	
Total appropriation	743,109	226,335	18,809	
Cumulative expenditure (FY17 - FY20)	577,890	106,356	n/a	
Remaining balance available at the start of FY20/21	165,219	119,979	18,809	
FY20/21 Budget Spend	138,400	32,500	17,900	188,800
FY20/21 YTD Spend	147,056	30,330	11,432	188,817
Remaining appropriation at 31 March 2021	18,163	89,649	7,377	
Forecast Surplus/(Deficit) at end of appropriation	12,162	(24,667)	1,298	

* Totals are provided where appropriate

Appendix 2: Appropriation Reporting

Callaghan Innovation receives funding from seven separate appropriations. The following table sets out the year to date results against the budgeted amounts (including both original estimates and changes through the October 2020 and March 2021 baseline updates) and performance expectations contained within those appropriations.

Detailed performance information is located in the main body of the report alongside the specific projects and deliverables that relate to that measure.

Appropriation Name	Full year Budget \$000	YTD actual \$000	Remaining budget \$000	Performance measures
Operational funding				
Callaghan Innovation - Operations MCA	87,272	57,924	29,348	10 out of 12 performance measures are on track. Two measures won't be achieved because of border closures. Further details are located in the short-term R&D loan scheme, Implementation of the RDS strategy, R&D Grant Schemes and Business development and research services sections of this report.
National Measurement Standards	8,118	6,089	2,030	2 out of 2 performance measures are on track. Further details are located in the Measurement Standards Laboratory section of this report and the Measurement Standards Laboratory appendix .
Industry 4.0	2,375	1,536	839	2 out of 2 performance measures are on track. Further details are located in the Driving sector specific cluster growth section of this report.

Appropriation Name	Full year Budget \$000	YTD actual \$000	Remaining budget \$000	Performance measures
Capital expenditure				
Callaghan Innovation - Capital Expenditure	3,958	0	3,958	2 out of 2 performance measures are on track. Further details are located in the Organisational performance section of this report.
Grants				
Repayable Grants	24,959	11,432	13,527	2 out of 2 performance measures are on track. Further details are located in the Tech incubator programme section of this report.
Research and Development Growth Grants (FY20/21 only)*	136,421	147,056	(10,635)	The performance measure for this appropriation is on track this quarter. Further details are located in the R&D Grant Schemes section of this report.
Targeted Business Research and Development Funding (FY20/21 only)*	52,490	30,330	22,160	6 out of 6 performance measures are on track. Further details are located in the R&D Grant Schemes section of this report.

* The values provided are the original estimates for FY 2020/21 only. Any overspends against these estimates are being managed through the remaining available funding within the relevant multi-year appropriation, supplemented by transfers from R&D Growth Grants to targeted Business Research and Development grants through at both the October and March baseline updates this financial year.

The values above reflect changes up to the March baseline update. There are also two further changes which will be confirmed through April:

- 1) The removal of \$4.200m of COVID-19 funding from the multi-category appropriation (to fund outyear R&D loan operating costs)
- 2) The removal of \$6.150m from the Repayable grants appropriation (to fund outyear RDTI transitional scheme operating costs)

Appendix 3: Detailed Financial Results

Statement of Revenue and Expense, Callaghan Innovation Group, for the period ended 31 March 2021

	Actual	Budget	Variance	Full Year Budget
	\$k	\$k	\$k	\$k
Revenue				
Crown operating				
Crown Funding - Other	-	1,413	(1,413)	1,413
Callaghan Innovation Funding	33,568	35,752	(2,184)	54,194
Strategic Investment	13,892	13,892	0	18,523
Business R&D Grants administration	5,812	5,842	(29)	7,789
National Measurement Standards	6,089	6,089	-	8,118
Programme Funding	2,534	2,534	0	3,378
Food Innovation Network	3,654	3,653	1	4,870
Total Crown operating	65,548	69,173	(3,625)	98,285
Crown contestable contracts and other	9,203	13,356	(4,154)	17,809
Commercial revenue				
Domestic Commercial	6,396	5,041	1,355	7,561
Overseas Commercial	6,057	7,696	(1,639)	10,835
Total Commercial revenue	12,453	12,736	(284)	18,396
Other Income	3,722	3,237	485	3,404
Total revenue	90,926	98,504	(7,578)	137,894
Expenses				
Personnel	47,575	46,495	(1,080)	60,141
Services and Contracts	13,191	18,040	4,849	37,513
Other costs	24,196	28,822	4,626	30,994
Depreciation	6,896	8,112	1,217	11,035
Total expenses	91,857	101,469	9,612	139,684
Operating surplus / (deficit)	(931)	(2,965)	2,035	(1,790)
Interest Income	691	393	298	510
Non Operating Income	(14)	106	(120)	141
Surplus / (Deficit)	(254)	(2,467)	2,213	(1,139)

* When the 2020/21 SPE budget (shown above) was prepared, revenue and expenses for the Bioresource Processing Alliance and NZ Product Accelerator programmes were included on a gross basis (\$4.4m in total). Following conclusion of the accounting treatment for these programmes as part of the 2019/20 annual report process, these are now netted off in actual results. This difference does not impact the budgeted or actual deficit.

In addition to the financial performance above, there was \$188.817m of both grant funding and grant expenditure during the period ended 31 March 20210, with no net impact on the observed deficit.

Statement of Financial Position, as at 31 March 2021

	Actual	Budget	Variance	Full Year Budget
	\$k	\$k	\$k	\$k
Assets				
Current assets*	205,579	199,081	6,497	83,962
Non-current assets				
Fixed Assets	75,711	85,403	(9,691)	93,965
Investment in associates	4,463	4,773	(310)	4,808
Total assets	285,752	289,257	(3,504)	182,735
Liabilities				
Current liabilities*	(170,388)	(173,555)	3,166	(53,782)
Non-current liabilities				
Non-current employee entitlements	(218)	(318)	99	(318)
Deferred tax	(682)	(775)	93	(775)
Total liabilities	(171,289)	(174,648)	3,359	(54,875)
Net assets	114,464	114,609	(146)	127,860
Equity				
Contributed capital	97,535	97,545	(10)	109,503
Accumulated surplus	16,928	17,064	(136)	18,357
Total equity	114,464	114,609	(146)	127,860

* Includes equal and offsetting accrued grant income and grants payable of \$144.122m.

Statement of Cashflows, for the period ended 31 March 2021

	Actual	Budget	Variance	Full Year Budget
	\$k	\$k	\$k	\$k
Net cash flows from:				
Operating activities	8,240	11,068	(2,828)	12,076
Investing activities	(16,448)	(23,494)	7,046	(34,277)
Financing activities	-	-	-	12,060
Net increase / (decrease)	(8,208)	(12,426)	4,218	(10,140)
Add cash at start of period	60,966	57,844	3,122	57,844
Balance at end of period	52,758	45,418	7,340	47,703

The closing cash balance includes commitments of **\$50.5m** for: capital contributions/depreciation funding not yet invested in capex; revenue in advance; subsidiary cash balances; operational funding received for the GIQ programme which will be needed for future costs; and board defined minimum capital management requirements.

These financial statements have been prepared exclusive of the \$149m impact of the R&D Loan Scheme reflected in the Statement of Performance Expectations for the 2020/21 financial year (these loan balances are reflected in MBE's financial statements).

Appendix 4: Measurement Standards Laboratory - Detailed Reporting

Our highlights this quarter

MSL's outputs this quarter

- 27 calibration jobs delivered to customers
- 9 IANZ assessments of external laboratories carried out by MSL staff
- 58 Enquiries to info@measurement.govt.nz
- 1 proficiency test delivered
- 1,650 downloads of resources (e.g. technical guides, software) from measurement.govt.nz

Staffing

MSL has received approval to recruit new staff to cover vacancies created due to retirements, resignation and redeployment of staff to other areas of Callaghan Innovation.

Recruitment is underway. In Q4 we hope to onboard 4 new technical staff and second a new manager into MSL as a growth opportunity from staff within Callaghan Innovation .

Building projects

Temperature standards have moved into the new MSL laboratory building and have commenced commercial calibration. Electrical standards remain unable to occupy the new building due to challenges in achieving the required environmental control, a proposed solution is being worked through to resolve the issue.

Good progress has been made on the new Time Standards laboratory. Based on current estimated completion dates MSL plans to have completely moved our time standard into the new laboratory facility by November 2021 .

International Acceptance of New Zealand's Measurement System

In the past quarter MSL has successfully completed five yearly IANZ technical reassessments for our Mass and Time Standards. These assessments involved being audited by international experts from fellow National Metrology Institutes to confirm MSL's accreditation status and provide confidence in the service and capabilities delivered by MSL. Due to travel restrictions these international assessments were completed with innovative use of mobile cameras and google meets platform to conduct 'virtual' lab tours to successfully demonstrate MSL's competence in each of these areas.

Focus for Quarter 4

- **Recruitment** - addressing key person risk and future proofing New Zealand's metrology capabilities for emerging domestic needs and opportunities.
- **Building environment** - Achieving acceptable environmental control in the new MSL building for Electrical standards to commence its move out of the McKay building. Continue to monitor building progress of the new Time & Frequency laboratory whilst developing move plans to occupy this space.
- **Strategic/Annual Planning** - Commence development of a new five yearly strategic plan. This will include development of MSL's next annual operating plan and a review and update of the MSL five yearly strategic science project document.
- **Staff readiness** - Preparing our staff for the significant changes likely in the transformation of Callaghan Innovation. Being change ready and engaged means we are able to embrace opportunities as they arise and make meaningful contributions to the success of Callaghan Innovation in delivering its purpose for the benefit of New Zealand

Financial performance

	Actual YTD \$000	Budget YTD \$000	Variance \$000	Full Year Budget \$000
National Measurement Standards	6,089	6,089	0	8,118
Strategic Investment	100	100	0	133
Total Crown Revenue	6188	6188	0	8,251
Domestic Commercial	365	326	39	436
Overseas Commercial	35	56	21	67
Total Commercial Revenue	400	382	18	503
Other Income	18	8	10	15
Total Revenue				8,770
Expenses				
Personnel	3,127	3,363	236	4,486
Services and Contracts	44	195	151	275
Other Costs	786	611	135	809
Depreciation	582	756	174	1,089
Total Expenses	4,539	4,925	386	6,658
Contribution Margin	2,066	1,652	414	2,112

Use of MSL capital appropriation

At quarter three MSL has spent 72% of its capital appropriation (\$1,337K of \$1,858K). Allocation of remaining capital spending has been assigned and is forecast to be approved and completed during Q4.

Appendix 5: Gracefield Innovation Quarter Programme - Detailed Reporting

Programme organisation

- We're continuing to implement the Gateway Review recommendations. This includes reviewing membership of the programme's governance boards.
- We've engaged a Senior Stakeholder Specialist to establish a stakeholder engagement model for our Future-focused workstream, and she has made a significant impact.
- Recruitment underway for new positions in GIQ Programme structure, including Programme Development Manager, Programme Shared Services Manager, Investment Analyst and Stakeholder Engagement Advisor.

Our highlights for this quarter

Tactical Workstream

- Engaged with a Main Contractor for the HVAC maintenance and replacement project.
- Completed procurement process and appointed external consultants to support design work of the hazardous goods project. This work will inform a Detailed Business Case expected to be completed late 2021.
- Appointed consultants for the Site-Wide Infrastructure project. Design work will inform a Detailed Business Case expected to be completed in late 2021.
- Engaged external consultants to support design work of the flexible offices project. This work will inform a Detailed Business Case expected to be completed in late 2021.
- GlycoSyn Roof Replacement completed.
- We've obtained approval for design of a purpose-built childcare centre to replace the existing building that needs to be moved to enable construction of the Hazardous Goods facility. Making our organisation family-friendly will enhance recruitment. This work will inform a Detailed Business Case expected to be completed late 2021.

Tactical Workstream focus for next quarter

- Continue with asbestos removal and demolition work, including commencing the demolition of an internal section of A Block and the Hector building. Planning will continue for the remaining buildings (E Block and McKay Building) to be demolished.
- Visas have been approved for critical workers from Australia to complete the installation of screened rooms in the new MSL Building. Once finished this will mark a significant milestone for the fit-out of the MSL building.

- Continue construction of the new laboratory for MSL's Time and Radio Frequency teams. Construction is expected to be completed in June 2021.
- Begin design and remediation works, as part of the Roofs and Exterior project, on buildings throughout the site (AMC roof, DSP2 roof, A Block roof, G block cladding and Robertson cladding).
- Complete audits of laboratories as part of the Define Stage of the Laboratory Upgrades project, and collaborate with HS programme for priorities.
- Continuing installation of replacement HVAC systems and remediation of existing systems
- Undertake 'Define' work on the GlycoSyn Labs and Offices project. Indicative Business Case expected to be completed by April 2021.
- Complete the Microfabrication Cleanroom facility.
- Complete fit out of 'Office 2' and continue construction of 'Office 4', the new laboratories and meeting spaces at the Textile Centre in Auckland. Expected to be completed June 2021.
- Continue implementing Strategic Asset Management work programme, including: completion of our first four Facilities Asset Management Plans, undertake a 'levels of service' survey, complete a confidence and reliability survey of our Asset Register, establish our 10 Year Capital Expenditure Profile for all assets, update our condition grade information for property assets, incorporate corporate priorities into our Asset Management decision making and establish a steering committee to provide a coordinated approach to AM across the organisation.

Future-focused Workstream

- External design team has developed the next iteration of the GIQ Masterplan in response to stakeholder feedback. The project continues to shape the direction for future redevelopment of GIQ, remaining closely aligned with decisions being made by the team delivering current tactical work.
- A Working Group comprising Biotechnology industry key stakeholders and Callaghan Innovation staff is collaborating on an investment proposal to determine the measurable difference a national Biotech hub could make for New Zealand. The proposal is assessing the validity of locating the Biotech Hub at GIQ.
- We are engaging with a group of key external stakeholders who are potential strategic partners for the site.

Future-focused Workstream focus for next quarter

- Develop the next iteration of the draft GIQ Masterplan for approval in mid-2021.

- Biotechnology Hub Working Group, with stakeholders, will review the draft Indicative Business Case. Approval will be sought to develop a conceptual design for the pilot project.
- Further workshops with our key stakeholder group, ensuring strategic, operational and property alignment.
- Begin wider sector engagement to ensure alignment and input into the development of the strategic case for investment.

Finance Performance

- The Tactical Estates Continuity Programme's capital expenditure during Q3 was \$2.4 million, which was a lift from the previous quarter's \$1.5 million.
- Programme expenditure for the full 2020/21 financial year is forecast to be approximately \$14.5 million, which is an increase on the previous year (\$7.9 million).
- The programme's life-to-date capital expenditure at 31 March 2021 was \$21.4 million.

The following table outlines capital expenditure to 31 March 2021:

GIQ Capital expenditure	Actual (life-to-date) 31 Mar 2021 (\$000)	Forecast (total cost)* (\$000)	Budget Approved** (\$000)	Variance to Budget (▼ = under) (\$000)	Funding (per PBC)*** (\$000)
Tactical Estates Continuity Programme (GIQ Programme Business Case)					
Tactical Estates Continuity Programme Tranches:					
T1 - Emergency Response Works	13,659	14,986	15,638	▼ 652	12,157
T2 - Deferred Maintenance	1,761	6,194	6,376	▼ 182	11,300
T3 - Hazardous Goods & Site Infrastructure	427	4,817	4,819	▼ 02	34,942
T4 - Flexible Workspaces	248	2,500	2,500	-	19,768
T5 - Business Growth Workspaces	5,283	5,664	5,629	▲ 35	23,580
Total Tactical Estates Continuity Programme	21,378	34,161	34,962	▼ 801	101,747

* Forecasts are included for projects that have budget approved - the forecast reflects the estimated spend against the approved budget.

** Budget Approved refers to the internal budget that has been approved for projects within the tranches.

*** Funding per PBC is the funding requirement as outlined in the GIQ Programme Business Case.

- Tranche 1 Emergency Response Works expenditure was \$0.6 million during Q3; this was driven by construction of the new Time Laboratory in the Robertson Building.
- Tranche 2 Deferred Maintenance expenditure during Q3 was \$0.5 million, which was driven by the completion of fit-out works within G Block to accommodate Trinity Bioactives.
- Tranche 3 Hazardous Goods & Site Infrastructure projects have both now commenced their design stages. With external design teams now appointed, expenditure, which was \$0.2 million during Q3, will pick up during the following quarters.

- Tranche 4 Flexible Workspaces expenditure of \$0.1 million in Q3 was driven by design stage work. The Flexible Laboratories project completed its design stage at the end of Q3.
- Tranche 5 Business Growth Workspaces expenditure was \$1.0 million during Q3. This was driven by construction work on the new Microfabrication Cleanroom and the Coordinate Measurement Machine (CMM) room - both within the Robertson Building. In addition, expenditure during the quarter was also underpinned by the GlycoSyn Roof Replacement on the Processing Building.

The programme is also supported by funding for operating expenditure, which is outlined in the table below:

Operating expenditure	Actual (Yr-to-date) 31 Mar 2021 (\$000)	Forecast (Full Yr) 2020/21 (\$000)	Budget Approved 2020/21 (\$000)	Variance to Budget (▼ = under) (\$000)	Funding 2020/21 (PBC) (\$000)
GIQ Programme Office Costs	2,917	4,208	4,322	▼114	3,000
Demolition & Asbestos Removal*	101	508	2,743	▼2,235	797
Depreciation on GIQ Assets	638	903	1,437	▼534	3,470
Operating Expenditure	3,656	5,619	8,502	▼2,883	7,267

* The budget incorporates funding of \$1.413 million carried forward from 2019/20 for Hector and McKay demolition/asbestos removal; this has been requested to be transferred forward again, into 2021/22.

- GIQ Programme Office costs include programme management, Gateway Reviews, personnel and overhead expenses associated with delivering the Tactical and Future Focussed workstreams.
- Demolition and Asbestos Removal costs include the demolition of McKay & Hector Buildings, E Block, and B Block Bunkers, and the prior removal of asbestos from these buildings. Expenditure is forecast to be lower than budget, as the tendered cost of the work came in less than expected. In addition, due to the Time Lab completion being later than anticipated, the cost of the McKay Building demolition will now fall in 2021/22. As part of the re-baseline of the GIQ programme, we have worked with MBIE to transfer funding of \$1.413 million from 2020/21 into 2021/22, to enable the McKay demolition to proceed. Expenditure will pick up in Q4 with the demolition of the Hector Building.
- The budget for depreciation covers the costs arising from the investment in GIQ assets. Depreciation costs will progressively increase as capital projects are completed.

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